



County of Los Angeles **CHIEF ADMINISTRATIVE OFFICE**

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June 10, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

State Budget Update

The Conference Committee met on Sunday and Monday, taking action on a number of budget items. After the Monday night meeting, the Chair announced that the meeting scheduled for today, to allow the Republican members to present their ideas to reduce the deficit, would be cancelled. Senator Ackerman explained that most of their ideas were matters for discussion by the Big Five and that it would be a waste of the Committee's time to take them up. The Big Five will meet again today. The Chair stated her intent to conclude the Committee's work on the non-Big Five decisions at their meeting today which is scheduled at the call of the chair.

Governor's Proposal to Use Federal Fiscal Relief Funds

To the apparent surprise of the Conference Committee, the Davis Administration provided them with a proposal on how to spend \$2.4 billion in one-time Federal State Fiscal Relief for states included in the tax bill recently passed by Congress. The May Revise had not dealt with this issue. However, both houses had used some of the monies to restore a variety of health and social service cuts, to the dismay of Republicans who insisted it be used to lower the remaining budget gap. The Administration's proposal represents something of a compromise by recommending that approximately \$685 million be used to offset deficiencies in the current and budget year due to the Legislature's failure to make deeper cuts, to restore \$1.2 billion of program cuts recommended by the Governor, and provide \$401 million to local governments, primarily counties.

Local Assistance

The local assistance has two components. The first is a requirement of the Federal law that requires approximately \$218 million of total savings to flow to local agencies that contribute to the State's share of Medicaid matching payments for programs other than the disproportionate share hospital program which is not eligible for the enhanced Federal matching rate (FMAP). While the County's share has yet to be determined, it is likely to be significant. The second component is a proposal to use \$201 million of the State Fiscal Relief to continue payment of the realignment portion of the VLF backfill during the period from July 1, 2003, when funding would otherwise cease, until early September when it is anticipated higher VLF rates will take effect. The impact on the County would be to reduce the potential monthly loss during the period of transition from \$63 million to \$39 million. The question of how or whether the backfill for the general government portion of the VLF would continue during this period was not addressed.

Program Restorations

Included in the program restorations proposed by the Governor, the following are of interest to the County:

- \$47 million for free Medi-Cal coverage for aged and disabled persons with incomes up to 133 percent of the federal poverty level;
- \$2 million for a Second Year of Transitional Medi-Cal;
- \$572 million to fully restore Medi-Cal provider rates;
- \$197 million to restore 14 Medi-Cal optional benefits;
- \$17 million to eliminate the Mental Health Managed Care Reduction; and
- \$90 million to reimburse the costs to counties of providing mandated mental health service to special education students (AB 3632).

Trailer bill language was also offered to assure that the first four of these restorations would only be for one year, unless the FMAP enhancement was extended by Congress. Because the conference committee had already made decisions on the use of most of the new Federal funds, the Governor's proposal created some confusion and delay while its recommendations could be compared to their decisions. It remains to be seen whether the new elements of the proposal will end up in the conference report.

Conference Committee Actions

Many of the budget items that affect the County remain open or unresolved. The following are actions of interest to the County that have been taken:

- Agreed to an inflationary increase in sliding-scale fee counties must pay the California Youth Authority for commitments;
- Eliminated \$18.5 million in funding for High Tech Enforcement Grants but deferred a decision on whether to use the savings to restore the Standards and Training for Corrections program, as proposed by the Assembly.
- Agreed to require employers to fully fund the administrative costs of the workers' compensation system; and
- Deleted the appropriation to pay local governments for the cost of State and Federal special elections but retained statutory language allowing them to seek reimbursement.

Local Government Reduction

Approximately ten days ago, a rumor circulated that Senator Brulte, in one of the meetings of the Big Five, had proposed a \$1 billion permanent reduction in State assistance to local governments. No details were available and no press stories ever materialized. However, the latest Legislative Update of the California Redevelopment Association contains details. According to the update, it is actually a joint proposal from Senators Brulte and Burton to cut \$1.166 billion permanently from local governments, 40 percent from cities, 40 percent from counties, and 20 percent from special districts, on a proportional per capita basis. In addition, they endorse a constitutional amendment to protect local governments from further state takings of local revenue. According to the Update, the Big Five are trying to fashion a budget package that does not require a permanent tax increase in order to gain the necessary Republican votes for the budget.

Each local government would decide how it wished to make its contribution to solving the State's budget crisis. While the Redevelopment Association is concerned that local governments would pass along much of their share of the cuts to redevelopment agencies, the reality is that if this proposal is adopted, the State budget would once again have been balanced on the backs of local governments who have had little to do with causing the deficit. Moreover, because of the magnitude of the cuts that would be required, giving local governments – especially counties – thy option on how to make

them is not a meaningful choice since they have so little discretionary revenue. While decision makers in Sacramento would no doubt try to avoid the political fallout by claiming that local governments made the decisions as to what to cut, the fact is they will have forced the cuts which in Los Angeles County will fall most heavily on public protection agencies which receive the lions share of the County's discretionary funds. (Attached is a memo from CSAC outlining what they have been able to learn about the potential reduction for local governments, including proposed mitigations, the principal one being that the cut be on-time rather than permanent.)

Pursuit of County Position on Legislation

SB 899 (Poochigan), as amended on February 21, 2003, would prohibit a physician from referring a person with a workers' compensation case to outpatient surgery facilities where the physician or his or her family has a financial interest. Under current law, it is unlawful for a physician to refer a workers' compensation case to a facility for specified medical goods or services if the physician or his or her immediate family has a financial interest in the facility. Current law does not include outpatient surgery facilities. SB 899 is similar to County-supported SB 354 (Speier) which would prohibit physician referrals to surgical outpatient centers where the physician or his/her family has a financial interest. Therefore, **our Sacramento advocates will support SB 899**, which passed the Senate on June 4, 2003 and is currently on the Assembly Floor awaiting a committee assignment.

Status of County-Interest Legislation

County-supported AB 936 (Reyes), was amended on June 3, 2003 to delete the language creating the crime of baby stalking. Instead, it creates a new crime of trespass related to stalking, punishable as an infraction or misdemeanor.

Specifically, a trespass will occur when a defendant knowingly enters or remains in a neonatal unit, maternity ward, or birthing center located in a hospital or clinic without lawful business to pursue. As an infraction, it is punishable by a fine not to exceed \$100. If the defendant received a request to leave and failed to comply, the punishment for the misdemeanor is either one year in county jail or a \$1,000 fine or both. For a second offence, the punishment is either one year in county jail or a fine of \$2,000, or both. In addition, if the court awards probation, the defendant must participate in, and pay for counseling unless the court, for good cause, waives these requirements.

AB 936 prohibits baby stalking in terms of a trespass. **Therefore, our Sacramento advocates will continue to support AB 936.**

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County-Sponsored AB 139 (Brulte), passed the Assembly Public Safety Committee on June 10, 2003 on a vote of 6 to 0, and now proceeds to the Assembly Judiciary Committee. SB 139 makes clarifying changes to the "Safe Haven Law" by making it easier for a parent to surrender a newborn in a safe environment.

We will continue to keep you informed.

DEJ:GK
MAL:JR:ib

Attachment

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations